

BANK INDONESIA REGULATION
NUMBER: 10/17/PBI/2009
CONCERNING
PRODUCT OF SHARIA BANK AND SHARIA BUSINESS UNIT

WITH THE BLESSINGS OF GOD ALMIGHTY

GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas a bank's development and sustainability depends among others on its capacity to undertake innovations in banking products and services;
 - b. whereas implementation of various Sharia Bank and Sharia Business Unit product and service innovations must be kept in line with Sharia Principles and prudential principles;
 - c. whereas to mitigate various risks related to innovations in banking products and services that keep developing, there is a need to balance them with mechanisms concerning licensing or reporting and discontinuations of banking products and services so that they become more in line with efforts to the development of Sharia Banks and Sharia Business Units;
 - d. whereas based on considerations as referred to in letter a, letter b and letter c, it is deemed necessary to set stipulations concerning Product of Sharia Bank and Sharia Business Unit in a Bank Indonesia Regulation;

- In view of:
1. Act Number 23 of 1999 concerning Bank Indonesia

(State ...

(State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as latest amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

2. Act Number 21 of 2008 concerning Sharia Banking (State Gazette of the Republic of Indonesia Number 94 of 2008, Supplement to the State Gazette Number 4867);

HAS DECREED:

To enact: **BANK INDONESIA REGULATION CONCERNING
PRODUCT OF SHARIA BANK AND SHARIA BUSINESS
UNIT.**

CHAPTER I GENERAL PROVISIONS

Article 1

The terminologies used in this Bank Indonesia Regulation have the following meanings:

1. Bank is Sharia Bank and Sharia Business Unit;
2. Sharia Bank is a Bank that conducts its business activities based on the Sharia Principles and according to its types comprises Sharia Commercial Bank and Sharia Rural Bank as referred to in Act Number 21 of 2008 concerning Sharia Banking;
3. Sharia Business Unit, hereinafter shall be referred to as UUS, is a work unit of a Conventional Commercial Bank head office, which functions as the parent office of offices or units that conduct business activities based

on ...

on Sharia Principles, or work units at a branch office of a Bank domiciling abroad, that conducts business activities in the conventional manner and functions as the parent office of sharia sub-branch offices and/or sharia units as referred to in Act Number 21 of 2008 concerning Sharia Banking;

4. Sharia Principles are Islamic legal principles for banking activities based on fatwa (decrees) issued by the institution that has the authority to set fatwa in the field of sharia as referred to in Act Number 21 of 2008 concerning Sharia Banking;;
5. Product of Bank, hereinafter shall be referred to as Product, is a product released by Bank, from the sides of fund accumulation as well as fund channeling and Bank service provision in accordance with the Sharia Principles, but excluding non-Bank financial institution products marketed by Bank as marketing agent.
6. Product of Non Bank is a product released by non-Bank financial institution.

CHAPTER II

PRODUCT LICENSING OR REPORTING

Article 2

- (1) Bank is obliged to report its plan to release new Product to Bank Indonesia.
- (2) The Product as referred to in paragraph (1) is Product that has been determined in the Sharia Banking Product Codification Book, which shall be further stipulated in a Bank Indonesia Circular Letter.
- (3) In the event of Bank releasing a new Product that is not included in the Product referred to in paragraph (2), Bank is obliged to obtain approval from Bank Indonesia.

Article ...

Article 3

- (1) The report on the plan to release new Product as referred to in Article 2 paragraph (1) must be submitted no later than 15 (fifteen) days prior to the release of the new Product.
- (2) Bank Indonesia provide confirmation on the report referred to in paragraph (1) no later than 15 (fifteen) days after all requirements are met and reporting documents are completely received.
- (3) Bank is prohibited from releasing new Product within the period of 15 (fifteen) days as referred to in paragraph (2), if confirmation of no objection has not been obtained from Bank Indonesia.
- (4) If, within the period of 15 (fifteen) days after all requirements are met and reporting documents are completely received, Bank Indonesia has not provided the confirmation, Bank could release the new Product concerned.

Article 4

Bank Indonesia provide approval or rejection to the application referred to in Article 2 paragraph (3) no later than 15 (fifteen) days after all requirements are met and reporting documents are completely received.

Article 5

Bank is obliged to report realization of new Product releasing of no later than 10 (ten) days after the new Product concerned is released.

CHAPTER III

PRODUCT EXPLANATION

Article 6

(1) Bank ...

- (1) Bank is obliged to provide explanation to Bank Indonesia on the new Product that should obtained Bank Indonesia's approval as referred to in Article 2 paragraph (3).
- (2) Bank Indonesia could ask Bank to provide explanation concerning:
 - a. New Product that should be reported to Bank Indonesia as referred to in Article 2 paragraph (1);
 - b. Product that has been released; or
 - c. Product of Non Bank that is being marketed by Bank.

CHAPTER IV PRODUCT DISCONTINUATION

Article 7

Bank is obliged to discontinue Product activities in the cases where:

- a. Bank does not meet the requirements as referred to in Article 2 or Article 3 paragraph (3);
- b. Product is not in line with Sharia Principles; or
- c. Product is not in line with prevailing legislations.

Article 8

- (1) Bank Indonesia could request Bank to discontinue Product activities as referred to in Article 7.
- (2) Discontinuation of Product activities as referred to in paragraph (1) could be of permanent or temporary nature.
- (3) In the case where Product is determined to be discontinued temporarily, then:
 - a. Bank is obliged to improve the Product concerned within a period determined by Bank Indonesia.
 - b. Bank is temporarily prohibited from selling that Product.

c. Temporary ...

- c. Temporary discontinuation could be revoked when Bank has improved the Product concerned.
 - d. In the case where Bank could not improve the Product concerned within the period determined by Bank Indonesia, that Product is determined to be permanently discontinued.
- (4) In the case where the Product is determined to permanently discontinued, Bank is obliged to discontinued Product activities and settle the rights and liabilities of that Product's customers within a period determined by Bank Indonesia.

CHAPTER V OTHER PROVISIONS

Article 9

- (1) In the case where there is specific stipulating on the Product or Product of Non-Bank in other Bank Indonesia regulations, the mechanism for submission of report or application for approval on new Product or Product of Non-Bank shall still refer to the related Bank Indonesia stipulations.
- (2) In addition to being obliged to refer to related Bank Indonesia stipulations as referred to in article (1), Bank is obliged to submit documents as follows:
- a. fatwa of the Indonesian Council of Ulama on the Product or Product of Non-Bank; and
 - b. sharia opinion from Bank's Sharia Supervisory Board on the Product or Product of Non-Bank.
- (3) Documents referred to in paragraph (2) are submitted together with the submission of the report or application for approval referred to in paragraph (1).

CHAPTER VI

SANCTIONS

Article 10

- (1) Sharia Commercial Bank and UUS that do not comply with the stipulation in Article 2 paragraph (1), which concerns the release of new Product without reporting the plan for new Product release to Bank Indonesia or the reporting of the plan for new Product release after the new Product is released, could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking, in the form of written warning and fine of no more than Rp25,000,000.00 (twenty five million rupiah) for each product.
- (2) Sharia Rural Bank that does not comply with the stipulation in Article 2 paragraph (1), which concerns the release of new Product without reporting the plan for new Product release to Bank Indonesia or the reporting of the plan for new Product release after the new Product is released, could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking, in the form of written warning and fine of no more than Rp3,000,000.00 (three million rupiah) for each product.
- (3) Sharia Commercial Bank and UUS that do not comply with the stipulation in Article 2 paragraph (3) could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking, in the form of written warning and fine of no more than Rp35,000,000.00 (thirty five million rupiah) for each product.
- (4) Sharia Rural Bank that does not comply with the stipulation in Article 2 paragraph (3) could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia

Banking, in the form of written warning and fine of no more than Rp5,000,000.00 (five million rupiah) for each product.

- (5) Sharia Commercial Bank and UUS that do not comply with the stipulation in Article 3 paragraph (3) could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking, in the form of written warning and fine of no more than Rp15,000,000.00 (fifteen million rupiah) for each product.
- (6) Sharia Rural Bank that does not comply with the stipulation in Article 3 paragraph (3) could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking, in the form of written warning and fine of no more than Rp2,000,000.00 (two million rupiah) for each product.
- (7) Sharia Commercial Bank and UUS that do not comply with the stipulation in Article 5 could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking, in the form of:
 - a. written warning and fine of Rp100,000.00 (one hundred thousand rupiah) per day of delay and no more than Rp1,000,000.00 (one million rupiah) for each product if Bank submits the report within 10 (ten) days after the deadline for report submission.
 - b. written warning and fine of Rp2,000,000.00 (two million rupiah) for each product if Bank does submit the report within 10 (ten) days after the deadline for report submission.
- (8) Sharia Rural Bank that does not comply with the stipulation in Article 5 could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking, in the form of:

a. written ...

- a. written warning and fine of Rp25,000.00 (twenty five thousand rupiah) per day of delay and no more than Rp250,000.00 (two hundred fifty thousand rupiah) for each product if Bank submits the report within 10 (ten) days after the deadline for report submission.
- b. written warning and fine of Rp500,000.00 (five hundred thousand rupiah) for each product if Bank does not submit the report within 10 (ten) days after the deadline for report submission.

Article 11

Bank that does not comply with stipulations in Article 6, Article 7, Article 8 paragraph (3) letter a and letter b, Article 8 paragraph (4), and Article 9 paragraph (2) could be imposed with administrative sanctions in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking.

Article 12

Imposition of sanctions as referred to in Article 10 paragraph (7) letter b or Article 10 paragraph (8) letter b do not waive Bank's obligation for submitting the report on realization of new Product release as referred to in Article 5.

CHAPTER VII

TRANSITIONAL PROVISIONS

Article 13

With the enactment of this Bank Indonesia Regulation, new Product for which application for approval has been submitted to Bank Indonesia but has not received approval from Bank Indonesia, shall still be processed based on:

- a. Bank Indonesia Regulation Number 6/24/PBI/2004 dated 14 October 2004 concerning Commercial Bank Which Conducts Business Activities Based on Sharia Principles (State Gazette of the Republic of Indonesia

Number 122 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4434);

- b. Bank Indonesia Regulation Number 8/3/PBI/2006 dated 30 January 2006 concerning Conversion of Business Activities from Conventional Commercial Bank to Commercial Bank Which Conducts Business Activities Based on Sharia Principles and Opening of Bank Offices Which Conduct Business Activities Based on Sharia Principles by Conventional Commercial Bank (State Gazette of the Republic of Indonesia Number 5 of 2006, Supplement to the State Gazette of the Republic of Indonesia Number 4599);
- c. Bank Indonesia Regulation Number 8/25/PBI/2006 dated 5 October 2006 concerning Amendment to Bank Indonesia Regulation Number 6/17/PBI/2004 concerning Rural Credit Bank Based On Sharia Principles (State Gazette of the Republic of Indonesia Number 82 of 2006, Supplement to the State Gazette of the Republic of Indonesia Number 4651).

Article 14

Further stipulations concerning implementation of this Bank Indonesia Regulation shall be further regulated in Bank Indonesia Circular Letter.

Article 15

With the enactment of this Bank Indonesia Regulation:

1. Article 38 of Bank Indonesia Regulation Number 6/24/PBI/2004 dated 14 October 2004 concerning Commercial Bank Which Conducts Business Activities Based on Sharia Principles (State Gazette of the Republic of Indonesia Number 122 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4434);

2. Article ...

2. Article 35 of Bank Indonesia Regulation Number 8/25/PBI/2006 dated 5 October 2006 concerning Amendment to Bank Indonesia Regulation Number 6/17/PBI/2004 concerning Rural Credit Bank Based On Sharia Principles (State Gazette of the Republic of Indonesia Number 82 of 2006, Supplement to the State Gazette of the Republic of Indonesia Number 4651).
3. Point I.A.I.4., point I.A.I.5., and point I.A.I.6. of Bank Indonesia Circular Letter Number 8/9/DPbS dated 1 March 2006 concerning Amendment to Bank Indonesia Circular Letter Number 7/5/DPbS dated 8 February 2005 concerning Commercial Bank That Conducts Business Activities Based On Sharia Principles

are revoked and declared no longer valid.

Article 16

This Bank Indonesia Regulation shall come into force on the date of enactment.

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in The State Gazette of The Republic of Indonesia.

Enacted : Jakarta

Dated : September 25, 2008

GOVERNOR OF BANK INDONESIA

BOEDIONO

STATE ...

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 137
OF 2008
DPbS

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 10/17/PBI/200
CONCERNING
PRODUCT OF SHARIA BANK AND SHARIA BUSINESS UNIT

I. GENERAL REVIEW

As the case are with conventional banks, business development of Sharia Banks and Sharia Business Units also depend on among others the capacity to continuously accommodate public needs. The capacity to provide sharia banking services, which are becoming more varied while still keeping to prudential principles and sharia principles in particular through bank products and services, becomes one of the bases for Sharia Bank and Sharia Business Unit business sustainability.

As part of the financial service provision industry, Sharia Banks and Sharia Business Units basically have a main function that is not different than that of conventional banks, only the principles, characteristics, mechanisms and types of products that are different.

Variations in products and services become unavoidable in accommodating public needs. On another side, innovations in products and service also cause various risks to emerge, including reputation risk. Therefore, the mechanism for product release and discontinuation is one of the keys to advancement of sharia banking in Indonesia, in the framework of fulfilling public needs while at the same time mitigating chances for the occurrence of various risks.

Based on these, it is deemed necessary to undertake restipulating of Sharia Bank and Sharia Business Unit products in the form of Bank Indonesia Regulation concerning Product of Sharia Bank and Sharia Business Unit.

II. ARTICLE BY ARTICLE

Article 1

Number 1 up to number 6

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Paragraph (1)

Providing explanation includes giving presentation.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

In the framework of implementing the bank supervision function, particularly on the fulfillment of the prudential principles and sharia principles, Bank Indonesia could request Bank to provide explanations on Product of Non-Bank, among others insurance products or capital market products (Mutual Funds), for which the Bank is acting as a marketing agent.

Article 7

Letter a

Self-explanatory.

Letter b

Product should be in line with Sharia Principles, which refer to fatwa of the Indonesian Council of Ulama ~~Islamic Scholar Board~~ and Bank Indonesia stipulations concerning implementation of Sharia Principles in Sharia Bank and Sharia Business Unit business activities.

Letter c

Self-explanatory.

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

Bank is temporary prohibited from selling Product means that Bank is prohibited to add new customers and/or add exposures on old customers from Product that is under temporary discontinuation.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 9

Paragraph (1)

Specific stipulations on Product or Product of Non-Bank in other Bank Indonesia stipulations, mean among others stipulations concerning Electronic Banking, payment instrument using cards, interbank money market instruments based on sharia principles, insurance products (Bancassurance), and capital market products (mutual funds).

Paragraph (2)

Fatwa of the Indonesian Council of Ulama ~~Islamic Scholar Board~~ means fatwa issued by the National Sharia Council - Indonesian Council of Ulama ~~Islamic Scholar Board~~.

Paragraph (3)

Self-explanatory.

Article 10

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Paragraph (7)

Self-explanatory.

Paragraph (8)

Self-explanatory.

Article 11

Self-explanatory.

Article 12

Self-explanatory.

Article 13

Self-explanatory.

Article 14

Self-explanatory.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF
INDONESIA NUMBER 4897